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MONEY, MONEY, MONEY! WHO'S GOT THE MONEY?

*We must show the world what a free economy can do . . . to put unused capacity to work, spur new productivity and foster higher economic growth.*

*President Kennedy.*

□ Who puts the most money into RAD projects--the Federal government or private sources?

The Federal government? Guess again.

A North Carolina survey of 65 commercial and industrial projects shows that for every \$1 in Federal funds, private sources put up an estimated \$58.

The study was conducted by the Rural Electrification Administration. It covered all commercial and industrial projects which rural electric cooperatives helped start in their service areas after July 1, 1961.

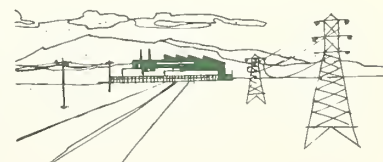
Of the estimated \$29.4 million invested in the 65 projects, \$449,000 came from Federal sources--the Small Business Administration, Area Redevelopment Administration, and REA through its local co-ops. Private sources provided all the capital (\$12,866,550) for 33 of the projects, and they are believed to have invested \$16,000,000 in 28 other projects. The source of financing on four projects was unknown.

Thus, private sources put up more than 98 percent of the known or estimated financing.

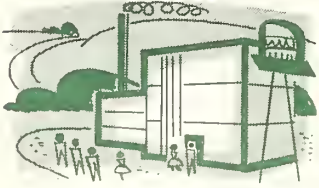
This indicates that local RAD committees searching for ways to finance new business ventures might do well to concentrate on unearthing and making full use of financial sources close to home, rather than leaning too heavily on the better known and more open Government sources.

What are the private sources of financing?

Banks, of course, provide a large share of the private funds. Local or regional development corporations, insurance companies, and savings and loan associations also are heavy investors.



Money also can be obtained from individuals, such as doctors, lawyers, and other professional men; from businesses and organizations interested in the economic development of the community, particularly firms that have a financial interest in the project, such as motels would have a financial stake in new recreational enterprises, and also from fraternal organizations, investment clubs, pension funds, and labor unions.



Where private sources are reluctant to invest in a project, the possibility of a State or Federal loan helps make the investment more attractive to them. For example, an individual may wish to borrow \$100,000 for 10 years to finance a new business. The local bank is willing to put up \$50,000, but only for five years. The businessman goes to the Small Business Administration. SBA agrees to finance the second \$50,000 and also permits the bank to take all of the repayments made during the first five years.

With ARA loans, it is the handling of the mortgage that makes private investment in the project more attractive. Take the case of the man who wants to start a \$100,000 business. The bank could put up as little as \$20,000 and obtain a first mortgage on the entire \$100,000 plant. ARA, with a maximum loan of 65% (in this case, \$65,000), would take a second mortgage. The third and fourth mortgages would go to the State or its agency or political subdivision that provided at least 10% of the cost, and to the businessman, who must put up a minimum of 5%.

Other Government loan programs often provide similar advantages to encourage private investors.

#### APPLE MARKETING GOES INTERNATIONAL THROUGH RAD

□ From selling apples off truck tailgates to directors of a half million dollar packing plant that sold to European and South American markets and grossed \$506,000 its first year . . . .

That's the Cinderella story of five Pennsylvania apple growers, and it has meant more jobs for the people of Martinsburg, Pa., more business for local firms, and added thousands of dollars to the region's economy.

A speech by a USDA official telling about the Rural Areas Development program set the wheels in motion. At the time, the growers were selling apples to passersby from truck tailgates and also to local buyers. One man had his own packing and storage sheds, but they were old and needed modernizing. Occasionally, the growers would bump into each other at some buyer's office.

"We knew we were hurting our business with this kind of competition, but most of us didn't have any good storage place to hold for better prices," one said.

Then they heard the USDA official tell how financial and technical help available through the RAD program was helping rural people attract new industry, develop new recreation areas, improve water and sewer facilities, obtain better housing, and make other community improvements.

The very next day the five met to discuss the possibility of converting an idle cannery on the outskirts of town into a modern apple packing plant. They didn't have the money to swing the deal by themselves, but could they finance it as a RAD project?

From then on, its a fascinating story of community spirit and grower determination that brought the Cove Apple Packers Cooperative into being.



The growers put up cash, a good bit of it, and their good reputations. Local businessmen sold stock to people in the area, and bought some themselves.

Central Bank and Trust Company of Altoona, Pa., and its branch bank at Martinsburg loaned the cooperative about half the money it needed. Altoona Enterprises, a regional development corporation, and the Pennsylvania Industrial Development Authority also chipped in, and finally, the co-op borrowed \$85,000 from the U. S. Area Redevelopment Administration to buy needed machinery.

The first year--1962--Cove Apple Packers Cooperative sold \$506,000 worth of apples, some of them to markets in Europe and South America.

The five growers--Charles L. Packard, Leonard Fluke, Henry Shoenthal, Richard Mattern, and Edwin Bridenbaugh--were elected officers of the co-op, and they make up its board of directors. Other area apple growers also sell to the co-op.

Local people have benefited from the new operation.

Over \$60,000 in salaries was paid out the first year to five full-time employes and to about 40 part-timers who worked six or seven months grading and packing the apples.

Elmer Smith, local trucking company owner, said he gained new business hauling apples from the orchards to the plant and then to markets in New York, New Jersey, and Pennsylvania.

Insurance men Rex Hershberger and Burrows Myers report: "We insure the plant, we insure the haulers, and we insure the apples all the way--from tree to plant and from plant to buyer."

Grocers, the furniture store, car dealers, filling stations, and others report increased sales and business.

Bank executive William Straesser sums it up:

"We were glad to make the loan, as it was one small part of the total business generated. The payroll snowballs into added loan business to finance consumer purchases, new savings accounts, and other business. The growers are better off for it and they are our customers in other ways."

#### **MORE JOBS THAN PEOPLE IN STAR CITY**

With a population of about 2,000, and jobs for 2,700 people, Star City, Arkansas is looking up. Per capita income has risen from \$666 in 1950 to about \$1,100 today.



It's exactly the reverse of the situation 10 years ago when automation of cotton production and the loss of a lumber processing mill had Star City in an economic tailspin. Star City and surrounding Lincoln County lost more than 15 percent of its population during the 1950's. As unemployment rose and incomes dropped, the tax base declined and local services and facilities deteriorated.

Then citizens took matters into their own hands, organizing a local development corporation to carry out a RAD rebuilding program. The corporation raised \$150,000 (\$35,000 of it in the form of a loan from the local rural electric cooperative) to build a factory. A shirt manufacturer located in the building and has tripled its operations, now employing nearly 1,000 persons.

Later, with the help of a \$69,000 ARA loan, a wire fabric plant employing 40 persons located in Star City. Two lumber companies expanded, hiring 50 new employees, and a new newspaper was started in the town.

The economic upsurge in Star City has been a tremendous boon to the entire area. Except for factories in the city of Pine Bluff, very few businesses in heavily agricultural southeastern Arkansas employ more than 100 persons.

#### HIGHLIGHTS

□ President John F. Kennedy will address the evening session of the two-day Northern Great Lakes Regional Conference on Land and People at Duluth, Minnesota, September 25. The conference was re-scheduled from September 10-11 to September 24-25 to make possible the President's appearance.

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Two new members have been appointed to the National Rural Areas Development Advisory Committee by Secretary of Agriculture Orville L. Freeman. They are Paul L. Aylward, attorney, rancher, and wheat farmer of Ellsworth, Kansas, and Lewis M. Cooley, country banker and rancher from Twisp, Washington.

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SCS reports 9,816 rural landowners established income-producing recreation enterprises on their land during fiscal year 1963, and that 9,075 others indicated they planned to follow suit during the current fiscal year.

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Secretary of Agriculture Orville L. Freeman will make 13 trips to nearly every section of the country to find out personally what farmers are saying and thinking, and what their attitude is to farm programs and farm legislation. The 13 "Report and Review" meetings began September 8 at Worthington, Minnesota, and will end November 4 at Lubbock, Texas.

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Forest Service received another \$20,255,000 in Accelerated Public Works funds last month, bringing the total allocated to the Department to nearly \$55,000,000. The current allocation will be used for work in 32 States and Puerto Rico.